

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Naples Bancorp, Inc. / Bank of Naples

Point of Contact:	Charles Gisler	RSSD: (For Bank Holding Companies)	3238596
UST Sequence Number:	939	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	4,000,000	FDIC Certificate Number: (For Depository Institutions)	35396
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	March 27, 2009	City:	Naples
Date Repaid ¹ :	N/A	State:	Florida

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

The original use of TARP CPP funds was to make new loans and refinance loans to existing borrowers. This totaled \$14 million subsequent to receipt of funds. In 2010 continued poor economic conditions and continued credit defaults lead to a reduction in lending activities.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

The original use of funds enabled the bank to make new loans and refinance loans to existing customers in all categories. In 2010 continued poor economic conditions and continued credit defaults lead to a reduction in lending activities.

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☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

☒ Increase reserves for non-performing assets.

The original use of funds enabled the bank to increase loss reserves from \$2.7 million to \$3.2 million. In 2010, through a series of capital offerings the Bank was able to further increase the reserve to \$13.1 million.

☐ Reduce borrowings.

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☒ **Increase charge-offs.**

In 2010 Net charge-offs increased from \$4.8 million in 2009 to \$10.9 million.

☐ **Purchase another financial institution or purchase assets from another financial institution.**

☐ **Held as non-leveraged increase to total capital.**

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The original use of funds enabled the bank to avoid falling below well-capitalized levels, which, in turn, allowed more flexibility in working with certain customers. In 2010 continued poor economic conditions and continued credit defaults lead to a reduction in lending activities, higher charge-offs, and increased loan loss reserves. The original TARP / CPP funds in combination with additional capital raises from stockholders enabled the Bank to maintain an adequately capitalized level in 2010.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.